

6. Federal tax law provided for multiple tax credit programs. One of these programs was the Earned Income Tax Credit (“EITC”), which was a refundable tax credit for working persons with lower income. Any portion of a refundable tax credit that remained after an individual’s tax obligation was reduced to zero was paid to that individual as a tax refund. As a result, the EITC could have resulted in a tax refund even if the taxpayer did not owe or pay any taxes. A taxpayer had to make income to qualify for the EITC. Below a certain income level, the amount of the EITC increased as the taxpayer’s earned income increased. Once the taxpayer exceeded a certain level, however, the EITC decreased as the taxpayer’s earned income increased, until the taxpayer was entitled to no credit.

Fraudulent Household Employee Income

7. A household employee was an individual paid to perform work in a household, over whom the head of the household exercised control of, amongst other things, when, how, and by what means the household employee completed the necessary tasks of his or her employment within the household. A household employee could include housekeepers, maids, and nannies and babysitters.

8. A household employee was required to report his or her earned wages to the Internal Revenue Service as “HSH” income. HSH income did not need to be supported by employer documentation, such as an IRS form W2 or 1040.

9. Defendant falsely reported HSH income for clients with low or non-existent earned income. By doing so, Defendant fraudulently inflated those individuals’ income and thus fraudulently inflated EITCs. As a result, any taxes owed were reduced to zero, and the individuals received fraudulently inflated tax refunds.

Fraudulent Schedule C Losses

10. A sole proprietor was an individual who owned and operated an unincorporated business.

11. An IRS Schedule C was a form a taxpayer was required to use to report income or loss from a business or profession operated as a sole proprietorship. A taxpayer was required to attach a Schedule C to the taxpayer's individual income tax return (Form 1040 or 1040A) to report the gross receipts, expenses, and net profit or loss from the business or profession.

12. Defendant falsely reported net business losses on a Schedule C for clients with earned income above a certain level. The fraudulent losses reduced the taxpayers' total income, thereby falsely (1) reducing the taxes they owed and (2) rendering them eligible to receive an EITC or to receive an increased EITC.

COUNTS 1-4

(Aiding and Assisting in the Preparation of False Tax Returns, 26 U.S.C. § 7206(2))

The First Assistant United States Attorney charges:

13. The factual allegations contained in paragraphs 1 through 12 are realleged and incorporated by reference as if fully set forth herein.

14. On or about the dates listed below, in the Northern District of Ohio, Eastern Division, and elsewhere, Defendant KIMYACTHA SIMPKINS, a resident of Cleveland, Ohio, did willfully aid and assist in, and did procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of United States Individual Income Tax Return, Forms 1040 and 1040A, for the taxpayers and calendar years set forth below, which were false and fraudulent as to a material matter in that, as Defendant well knew and believed, the returns

overstated the taxpayers' income on line 7 by reporting HSH income that the taxpayers did not actually earn, each false return constituting a separate count of this Information:

Count	Individual	Year	Approximate Date of Filing
1	Customer 1	2015	February 22, 2016
2	Customer 1	2016	March 13, 2017
3	Customer 2	2015	March 7, 2016
4	Customer 2	2016	April 10, 2017

All in violation of Title 26, United States Code, Section 7206(2).

COUNTS 5-12

(Aiding and Assisting in the Preparation of False Tax Returns, 26 U.S.C. § 7206(2))

The First Assistant United States Attorney further charges:

15. The factual allegations contained in paragraphs 1 through 12 are realleged and incorporated by reference as if fully set forth herein.

16. On or about the dates listed below, in the Northern District of Ohio, Eastern Division, and elsewhere, Defendant KIMYACTHA SIMPKINS, a resident of Cleveland, Ohio, did willfully aid and assist in, and did procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of United States Individual Income Tax Return, Forms 1040, for the taxpayers and calendar years set forth below, which were false and fraudulent as to a material matter in that, as Defendant well knew and believed, the returns reported fictitious business losses on line 12 by reporting Schedule C net losses for businesses that the taxpayers did not own and operate, each false return constituting a separate count of this

Information:

Count	Individual	Year	Approximate Date of Filing
5	Customer 3	2015	April 4, 2016
6	Customer 3	2016	March 13, 2017
7	Customer 4	2016	April 3, 2017
8	Customer 5	2015	February 29, 2016
9	Customer 5	2016	March 6, 2017
10	Customer 6	2015	February 22, 2016
11	Customer 7	2015	February 22, 2016
12	Customer 7	2016	February 20, 2017

All in violation of Title 26, United States Code, Section 7206(2).

MICHELLE M. BAEPLER
First Assistant United States Attorney

By:



CHELSEA S. RICE
Chief, White Collar Crimes Unit